

SBA News and Views is a monthly publication of the SBA Wisconsin District Office. Its purpose is to provide Wisconsin lenders and small business leaders with up-to-date information on SBA programs and small business issues. It is distributed at no cost, and the reprinting of articles is encouraged

Serving America's Small Businesses

U.S. Small Business
Administration
Wisconsin District Office

Eric Ness, District Director
December 2006

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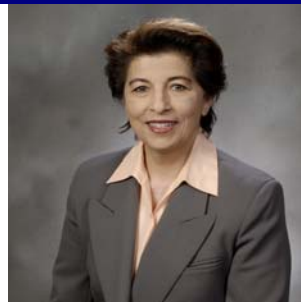
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Senate Confirms SBA Deputy Administrator



Jovita Carranza, SBA Deputy Administrator

Jovita Carranza, an experienced Latina business executive nominated by President George W. Bush to be the U.S. Small Business Administration's Deputy Administrator, was confirmed December 9, 2006 by the U.S. Senate. The Senate Committee on Small Business and Entrepreneurship had unanimously endorsed Ms. Carranza earlier.

Named Hispanic Woman of the Year by Hispanic Business Magazine in 2004, Carranza said she is enthusiastic about transferring her 30 years of experience at UPS to the SBA, drawing a direct parallel between the corporate operations she directed at UPS to the infrastructure and mission at the SBA.

Both institutions, she said, have "a network whose employees are dedicated to meeting the service needs of small businesses and the communities they serve. Like large corporations, small businesses expect timely assistance in the delivery of services."

"I will bring to the Small Business Administration a goal-oriented management philosophy with a history of successes on two continents," Carranza said.

SBA Administrator Steven C. Preston welcomed Carranza's confirmation. "I look forward to working with Jovita," he said. "Her combination of drive, insight, personnel management and business process experience offers a tremendous value to the SBA as we work toward a higher degree of customer responsiveness and operational sophistication at the agency."

Carranza started at UPS in 1976 as a part-time, night-shift clerk in Los Angeles in 1976 and worked her way up to regional manager for international relations in Miami by 2000. Most recently, she was vice president of air operations at the world-wide package shipping company at its facility in Louisville, KY., and oversaw the cutting-edge automated package processing operation there.

While at UPS, Carranza also served as president of Latin American Operations and the Caribbean. Additionally, she has extensive experience in human resources management and work force planning.

In addition to her professional career, Carranza has been actively involved in community service, both in leadership and advisory capacities. Carranza, a native of Chicago, earned her MBA from the University of Miami (Fla).

New Market Tax Credits

On October 6, 2006, SBA published a notice in the Federal Register announcing the new Markets Tax Credit (NMTC) Pilot Loan Program. Under this Program, certain Community Development Entities will be able to purchase participation interest in a SBAExpress or Community Express 7(a) loan up to 90 percent of the gross loan amount as part of their investment in low-income communities under the New Markets Tax Credit Program administered by the U.S. Department of Treasury. You may access the entire text of the Federal Register notice at www.access.gpo.gov/su_docs/fedreg/frcont06.html.

Frequently Asked Questions and Answers Concerning New Market Tax Credits

Why did SBA launch the New Markets Tax Credit Pilot Loan Program?

The SBA launched the New Markets Tax Credit (NMTC) Pilot Loan Program to increase lending to small businesses located in Economically distressed communities or "New Markets." The pilot program will help small businesses by enabling Community Development Entities (CDEs) to combine the benefits of both the U.S. Department of Treasury New Markets Tax Credit Program and the SBAExpress or Community Express 7(a) guaranteed loan programs to provide small businesses located in urban and rural communities greater access to financing and business training.

The pilot program, which is only available to 7(a) Lenders making new loans subject to Pre-Loan Agreements with CDEs, waives a regulation that limits a 7(a) Lender's ability to sell any portion of an SBA guaranteed loan to anyone other than another 7(a) Lender. The waiver allows CDEs with New Markets Tax Credit allocation to purchase up to 90 percent of SBAExpress or Community Express 7(a) loans up to \$150,000 made to New Markets Tax Credit (NMTC) "qualified" businesses in low-income communities as defined in §454(d)(2) of the IRS Tax Code. These new loans are guaranteed by the SBA.

What loans qualify for the program?

- SBAExpress & Community Express loans up to \$150,000 made after November 3, 2006 are eligible.
- Only new loans held in the portfolio of the originating 7(a) Lender and made after November 3, 2006 are eligible.
- Only loans subject to a Pre-Loan Agreement between the 7(a) Lender and a CDE will qualify. The Pre-Loan Agreement is described below.

What loans do not qualify for the program?

- All other SBA 7(a) loans, 504 loans and Microloans are ineligible, and all SBA loans sold on the secondary market are ineligible.

If I am a 7(a) Lender, how can I participate in this program?

- You will need to be a 7(a) Lender approved for participation in either SBAExpress or Community Express programs.
- You will need to work with a CDE with a NMTC allocation. To locate a CDE in a particular geographic area, use the following link www.cdfifund.gov/, and then click on Impact We Make and Searchable Award Database or Profiles of Awards, Sorted by State.

For a list of CDEs with FY2006 allocation awards, go to www.cdfifund.gov/docs/nmtc/2006/List.of.Allocatess.FINAL.pdf.

As a 7(a) Lender, what must I need to do to participate in this program?

- You must sign a Supplemental Lender Program Participation Agreement with the SBA Office of Financial Assistance in order to participate in the New Markets Tax Credit Pilot Loan Program. This supplemental agreement provides the guidance and procedures regarding the closing, servicing, sale or liquidation of loans in the pilot.
- You will need to enter into a Pre-Loan Agreement with a CDE, as provided for under the "Special rule for loans" in the U.S. Internal Revenue Service, Department of Treasury's New Markets Tax Credit regulation. 26 CFR § 1.45-D-1(d)(8). This rule says that a loan is treated as made by a CDE, if there is a Pre-Loan Agreement between the loan originator and the CDE, requiring that the CDE purchase the loan from the originating 7(a) lender within 30 days after the date the loan is made.
- As the originating 7(a) Lender, you must retain at least 10% of the principal balance of the loan, excluding any premium amount paid, throughout the entire term of the loan. The 10% of any loan retained by you must be a portion of the unguaranteed interest in the loan.

- You and the CDE purchasing the participation interest in the loan must sign an SBA-approved Participation Agreement, which sets forth the rights and obligations of the originating 7(a) Lender and the CDE regarding such matters as payments, servicing of loans, custody of collateral, subsequent sale of the loan, etc.
- You as the originating 7(a) Lender are responsible to ensure that the loan will meet the criteria required for a “qualified” NMTC investment. SBA’s waiver of its regulations for purposes of the pilot is based on a requirement that all SBA-guaranteed loans made by the 7(a) Lender under the pilot are eligible for treatment as Qualified Low-income Community Investments (QLCI) under the IRS regulations governing NMTCs.
- As the originating 7(a) Lender, you will continue to administer the loans during their entire term and remain responsible for all SBA requirements and payment of fees in accordance with the rules and regulations applicable to the loan program in which the loan was approved.

If I am a Community Development Entity, how can I participate in the program?

- You will need to be a CDE with a NMTC allocation.
- You will need to work with a SBAExpress or Community Express Lender that makes loans in your NMTC service area. To locate a 7(a) Lender in a particular geographic area, contact a SBA District Office.

As a CDE, what must I do?

- You will need to enter into a Pre-Loan Agreement with a 7(a) Lender as provided for under “Special rule for loans” in the U.S. Internal Revenue Service, Department of Treasury’s New Markets Tax Credit regulations. 26 CFR § 1.45-D-1(d)(8).
- As a CDE purchasing participation interests in loans under the pilot, you must sign an SBA-approved Participation Agreement with the originating 7(a) Lender (described above).
- You and your investors bear the responsibility of demonstrating to the IRS the eligibility of the loan for the New Markets Tax Credit. SBA makes no legal or tax representation and assumes no responsibility if a loan or the purchase of any participation interest is deemed ineligible for QLCI status.
- As a purchasing CDE, you may sell your interest in a SBAExpress or Community Express loan made under the pilot only to either the originating 7(a) Lender, another 7(a) Lender or to another CDE with a NMTC allocation. For any subsequent transfers, you must use an assignment of participation interest form that is acceptable to SBA.

What is the duration of the pilot?

- The NMTC Pilot Loan Program expires September 30, 2011. It may be extended if the Agency determines, based on evaluation, that the pilot is achieving its intended purposes. The extension would be for no longer than the date on which no carryover of an unused NMTC allocation can be made. This is currently anticipated to be 2014, unless the U.S. Department of Treasury’s NMTC program is extended by legislation.

If the pilot ends before I have claimed all of the tax credits.

- If SBA does not make this program permanent or extend this pilot program on or before November 3, 2011, a participating CDE may continue to hold any SBA loan participations in its portfolio and continue to earn the NMTC until the underlying loan is terminated.

How can I obtain more information?

- To find the SBA District Office nearest you, visit our website at www.sba.gov/wi. 7(a) Lenders desiring more information may contact John Wade at the SBA Office of Financial Assistance: john.wade@sba.gov, (202) 205-7505, and for questions of a general nature, contact Peter Jacxsens at the SBA Office of Policy & Planning: peter.jacxsens@sba.gov or call 202-205-6452.
- For information on the New Markets Tax Credit Program, please contact the US Department of the Treasury, CDFI Fund at <http://www.cdfifund.gov/>.

SBA 8(a) Engineering Client Moves to Central City

Gestra Engineering, Inc., one of SBA's 8(a) clients, will be moving its headquarters to Milwaukee's central city from its current location in Oak Creek. They plan to purchase a 6,500 square-foot building in the area.

Gestra is a growing engineering company and plans to add four employees after moving to the north side building. They will offer a six-month training period for entry-level jobs that will be added after the move. These entry-level jobs will pay \$12 an hour. Health insurance and benefits will also be offered.

Employees, with at least one-year's employment, will be offered \$5,000 no-interest loans to help purchase homes in the area. New housing developments in the area helped Gestra to make the change to the central city neighborhood. They have done work on one of the housing developments and hope to gain more work from an upcoming development project that will be building 70 – 90 homes in the area.

Editor's Notes

REMINDER of Changes to 504 & 7(a) On-Going-Fee

For 7(a) loans approved on or after **October 1, 2006**, the "yearly fee" due from participants to SBA will be **0.55** percent of the guaranteed portion of the outstanding balance on the 7(a) loan. In the 7(a) Authorization Wizard, this is referred to as the "ongoing service fee."

For 504 loans approved on or after **October 1, 2006**, the "ongoing guarantee fee" paid by borrowers to SBA will be **0.018** percent (1.8 basis points) of the outstanding balance of the 504 loans.

(See SBA October 2006 News & Views to read entire article.)

SBA WISCONSIN TRAINING and EVENTS CALENDAR

Be sure to visit <http://web.sba.gov/calendar/public/index.cfm?op=group&grp=73> (note new url) for business training opportunities offered by SBA, SCORE, Small Business Development Centers, Women Business Centers, Procurement Assistance Centers and the Wisconsin Procurement Institute.

This site will become your first stop when looking for training sessions, conferences, and seminars at the federal level but will also include state, local and private activities when they pertain to small business improvement.

Links to SBA November 2006 Loans

Loan approvals for November 2006

http://www.sba.gov/idc/groups/public/documents/wi_milwaukee/november2006approvals.pdf

FY 2007 Year to Date Loan Totals

http://www.sba.gov/idc/groups/public/documents/wi_milwaukee/fy07ytd_lender_appr.pdf

SBA November 2006 MicroLoans

Advocap 1 Loan for \$15,000